

Message Text

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ACTION EB-07

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FM AMEMBASSY MONROVIA

TO AMEMBASSY LONDON IMMEDIATE

INFO SECSTATE WASHDC 5359

LIMITED OFFICIAL USE MONROVIA 4556

FOR ATTENTION RAYMOND SEITZ TO PASS TO JAMES BYRD, STRAND PALACE
HOTEL, PHONE 01-836-8080, ROOM 318

E.O. 11652: N/A

TAGS: EINV, ENRG, LI

SUBJECT: PETROLEUM REFINERY SITUATION IN LIBERIA

REF: TELCOM OF JUNE 29, 1977 BETWEEN AMBASSADOR AND JAMES BYRD

1. IN RESPONSE TO REF TELCON, FOLLOWING INFORMATION PROVIDED.

2. THE GOVERNMENT OF LIBERIA (GOL) GRANTED OIL REFINERY CONCESSION
TO HUNT INTERNATIONAL PETROLEUM COMPANY OF DALLAS, TEXAS, IN
JULY 1961 TO BE VALID FOR 25 YEARS FROM FIRST REFINERY RUN.
IN JULY 1964, HYDROCARBON RESEARCH, INC. (WHOLLY OWNED SUBSIDIARY
OF DYNALECTRON CORP., MCLEAN, VIRGINIA) TOOK OVER CONCESSION
FROM HUNT. IN 1966, SUNRAY DX PETROLEUM CO. AGREED TO FINANCE
AND OPERATE REFINERY IN COOPERATION WITH HYDROCARBON RESEARCH.
THERE WAS NO PARTICIPATION BY WORLD BANK. CONSTRUCTION OF
LIBERIA REFINING COMPANY (LRC) STARTED IN MAY 1967 AND WAS COMPLETED
DECEMBER 1968. SUNRAY DX WAS ABSORBED INTO SUN OIL COMPANY AND
SUBSEQUENTLY INTO SUN'S SUBSIDIARY, SUN TRADING & MARINE TRANS-
PORT, INCT. (STMT).

3. REFINERY OFFICIALLY BEGAN OPERATION IN DECEMBER 1968.

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PRODUCTS INCLUDE GASOLINE, DIESEL FUEL, DOROSENE, FUEL OIL,
LPG, AVIATION FUEL, AND ASPHALT. CURRENT PROCESSING CAPACITY
OF LRC IS 15,000 BARRELS PER DAY OF ARABIAN LIGHT CRUDE WHICH
IS SUPPLIED BY SAUDI ARABIA.

4. CURRENT OWNERSHIP OF LRC AS FOLLOWS: STMT - 67 PERCENT;
DY ALECTRON - 18 PERCENT; TRUE WHIG PARTY OF LIBERIA - 1.9

PERCET; INTERNATIONAL TRUST COMPANY OF LIBERIA AND LIBERIAN BANK FOR DEVELOPMENT & INVESTMENT HOLD IN ESCROW OR IN TRUST REMAINING 13.1 PERCENT OF SHARES.

5. FOLLOWING SERIES OF BREAKDOWNS AND FIRE IN DECEMBER 1976, LRC CEASED PRODUCTION. SUBSEQUENTLY, RELATIONS DETERIORATED BETWEEN AMERICAN OWNERS AND GOL, AND IN MAY 1977 STMT AND DYNALECTRON WITHDREW THEIR MANAGEMENT PERSONNEL, CLAIMING EXPROPRIATION BY GOL. GOL DENIES EXPROPRIATION CLAIM AND ISSUE IS UNRESOLVED.

6. BRITISH EXPATRIATE PERSONNEL UNDER INDIVIDUAL CONTACT TO LRC WHO REMAINED FOLLOWING STMT'S AND DYNALECTRON'S WITHDRAWAL NOW MANAGE LRC. REPAIRS OF DAMAGE TO LRC NEARLY COMPLETE AND PRODUCTION COULD BEGIN WITHIN FOUR WEEKS. ACCORDING TO CONTRACT MANAGEMENT, HOWEVER, PRODUCTION MAY NOT BEGIN UNTIL NOVEMBER IF QUESTION OF EXPROPRIATION NOT SOON RESOLVED. CURRENTLY, AS A RESULT OF REFINERY SHUTDOWN, ALL REFINED PETROLEUM PRODUCTS USED IN LIBERIA ARE IMPORTED, MOSTLY FROM EUROPEAN SUPPLIERS WITH SURPLUS PRODUCT. PURCHASING NOT DONE UNDER CONTRACT, BUT ON BASIS OF COMPETITIVE QUOTATIONS ON MONTHLY BASIS. STORAGE CAPACITY AS FOLLOWS: GASOLINE - 6 TO 7 WEEKS; AVIATION FUEL - 6 WEEKS; DIESEL FUEL - 3 TO 4 WEEKS IN DRY SEASON AND 8 WEEKS IN RAINY SEASON. STORAGE FACILITIES OWNED BY LRC WITH EXCEPTION OF TEXACO FACILITY WHICH IS LEASED TO LRC.

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7. REFINERY DESIGNED BY HYDROCARBON RESEARCH. ENGINEERING STUDIES ON EXPANSION OF CURRENT CAPACITY HAVE BEEN COMPLETED, BUT NO PLANS OR COMMITMENTS TO FOLLOW THROUGH ON STUDIES. A TECHNICAL SURVEY AND EVALUATION OF LRC WAS DONE IN 1976 BY L.H. MANDERSTRAM & PARTNERS LTD. OF LONDON UNDER COMMISSION TO GOL.

8. REFINERY LOCATED IN GARDNERSVILLE APPROXIMATELY FIVE MILES FROM PORT OF MONROVIA. SOME STORAGE AT REFINERY SITE AND SOME AT PORT. CRUDE AND REFINED PRODUCT ARE MOVED BETWEEN PORT AND REFINERY SITE BY 12 INCH PIPELINE.

9. HARBOR DRAFT FOR CRUDE CARRIERS IS 42 FEET. BERTH USED FOR IMPORT OF REFINED PRODUCT FOR LRC STORAGE HAS 30 FOOT DRAFT.

10. PRIOR TO EXPROPRIATION CLAIM, GOL WAS CONSIDERING PURCHASE OF PHYSICAL PLANT OF REFINERY, WITH OPERATION AND MANAGEMENT OF LRC TO BE ARRANGED UNDER CONTRACT TO MAJOR OIL COMPANY. UNTIL EXPROPRIATION ISSUE RESOLVED, NOT CLEAR WHAT FUTURE OWNERSHIP PARTICIPATION GOL WILL SEEK IN REFINERY. ALSO, UNTIL FINAL OWNERSHIP DECIDED, IMPOSSIBLE TO ASSESS OPPORTUNITY FOR PETROLEUM/IRON ORE BARTER ARRANGEMENT. IF INVESTORS SERIOUSLY INTERESTED IN PURSUING BARTER POSSIBILITIES OR OTHER

ARRANGEMENTS, SUGGEST EARLY DISCUSSIONS WITH GOL BE HELD AS
TALKS MAY INFLUENCE GOL'S STRATEGY TOWARD EARLY RESOLUTION OF
STICKY EXPROPRIATION CLAIMS.

11. IN RESPONSE TO QUESTION OF PERCENTAGE OF LIBERIAN POPULATION
WHICH IS MOSLEM, PUBLISHED ESTIMATES RANGE FROM 3 PERCENT TO 30
PERCENT. A REALISTIC ESTIMATE SHOULD BE IN RANGE OF 15-20
PERCENT OF POPULATION.
DECONTROL UPON RECEIPT.
CARTER

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